

**STATEMENT OF REPRESENTATIVE EDWARD J. MARKEY (D-MA)
REGARDING NYSE DECISION TO APPROVE DECIMAL PRICING
THURSDAY, JUNE 5, 1997**

Thank you. I would like to begin by commending Chairman Oxley and Chairman Blilely for their leadership in raising this important issue. I am pleased to have joined with you and with 27 other Democratic and Republican Members in cosponsoring H.R. 1053, the "Common Cents Stock Pricing Act of 1997." I would particularly like to thank Representatives Furse, Sawyer, Boucher, Brown and Eshoo for cosponsoring this bill, which I really think has brought us to the point that we have reached today.

This is a truly historic day for our nation's stock markets and for American investors. For over two hundred years, stocks and bonds have traded in minimum price increments of an eighth of a dollar, or twelve and a half cents. The origins of this practice are obscure, but some historians trace it back to the eighteenth century, when the Spanish dollar was a widely used currency in America. These Spanish dollars routinely were cut up into "pieces of eight," and were legal tender for stocks, bonds or other commodities. 200 years later, the rest of the American economy has long since moved to selling items in dollars and cents. With today's action, the New York Stock takes the lead to move our equity markets away from the pricing systems of the 18th century as we approach the 21st century. I have been informed that the Exchange's systems will be decimal-ready by April of next year, and that their intention is to move to decimals no later than the year 2000. The actual transition could conceivably occur earlier, depending on the timeframe needed for securities firms to make appropriate adjustments.

I think that New York Stock Exchange Chairman Dick Grasso and the Exchange Board of Governors should be commended for their action in this area. I know that the stock exchanges and their member firms have had reservations about moving from fractions to decimals, but I think today's action represents a recognition that such a transition is both desirable and inevitable and that it will benefit investors and the quality of our nation's stock markets. In light of today's action by New York, I call upon the NASD, the American Stock Exchange, and the regional stock exchanges to also announce that they too will move from fractions to decimals without delay.

Today's action by the New York Stock Exchange culminates an effort that began many years ago. When I chaired the Subcommittee four years ago, we held a series of hearings on the future of the stock markets in which we examined decimal pricing in some depth. During those hearings, we raised questions about whether moving to decimals might help address controversial trading practices such as paying for order flow or preferencing. It quickly became clear in those hearings that the artificial stock exchange requirement for stocks to trade in minimum increments of an eighth had established a fixed minimum spread between the prices quoted by most buyers and sellers of stocks. This regulation was preventing market forces from fully operating to narrow the spread to ten cents, five cents, or even a penny. As a result, some dealers were resorting to paying for order flow to give brokers who routed them

customer orders a portion of the spread. Clearly, there had to be a better way of doing business. What we needed to do was bring common cents to stock pricing.

~~While~~ Some may have assumed that when the Republicans assumed the majority, this idea would just fade away. But Chairman Oxley and Chairman Blilely saw the importance of this reform to investors, took up the cause, and pressed persistently and insistently for the stock exchanges and the securities industry to make this important reform. I am pleased to have worked with them on this important matter. I would also like to thank SEC Commissioner Steve Wallman, who has been a tireless and effective advocate for this reform. I also would like to commend SEC Chairman Arthur Levitt, who has played an important role in bringing us to the point we have reached today.

When we first introduced this legislation, many of my colleagues asked me, why were we bothering legislating about a few pennies? The answer is the "golden crumbs" that Wall Street firms extract from the spread adds up to billions of dollars in additional costs to consumers each year. Estimates of the savings resulting from a move to decimal pricing range widely, but even if investors only saved one penny per share, these "pennies from heaven" would still amount to over \$1 billion in savings annually.

Many of you are no doubt wondering what impact this action by the New York Stock Exchange will have on our legislation. The answer to that question is two-fold: First, I am going to be very interested in seeing what action the NASDAQ, the AMEX, and the regionals take in response to today's action. If they fail to follow suit, legislation may still be needed. Secondly, we are going to have to see what happens with respect to the minimum price increment on the other exchanges. I have been informed that the New York Stock Exchange is intending to allow the minimum price increment to be set by market forces -- all the way down to a penny. That's the right way to do it. We will now have to see what other exchanges do. If they were to set some artificial minimum price increment -- such as a nickel -- that would only be only 1 and 1/4 cents change from going to sixteenths (which most of them have already indicated a willingness to do). My strong preference would be to let market forces set the minimum increment all the way down to a penny. If special rules are needed to address the concerns that have been raised about professional traders stepping ahead of public customer orders, then the exchanges should work with the SEC to craft appropriate protections in this area. Assuming we see satisfactory actions by the other exchanges in both of these areas, we will not need to proceed with our legislation.

Again, I want to commend Chairman Oxley and Chairman Blilely for their leadership on this important matter, which I believe may be represent the most important pro-consumer initiative the Congress considers this year.